

Empire State Manufacturing Survey

The May *Empire State Manufacturing Survey* indicates that manufacturing activity expanded in New York State at a moderate pace. The general business conditions index rose eleven points to 17.1. The new orders index inched up to 8.3, and the shipments index shot up eighteen points to 24.1. The indexes for both prices paid and prices received were positive but lower in May, indicating that the pace of price increases slowed. Employment index readings remained relatively healthy, suggesting that employment levels and hours worked continued to expand. Future indexes were noticeably lower than last month, indicating a positive but somewhat

less optimistic view of the six-month outlook.

In a series of supplementary questions, firms were asked about past and expected changes in both their input prices (prices paid) and selling prices (prices received). Respondents estimated that the prices they paid increased 3.6 percent, on average, over the past twelve months—down sharply from the 8.1 percent rise reported in last May’s survey. Looking ahead to the next twelve months, respondents on average predicted a price rise of 3.5 percent. Firms reported smaller increases in prices received: the average respondent cited a 1.7 percent increase in

selling prices over the past year (down from 1.9 percent in the May 2011 survey) and an expected increase of 2.1 percent for the year ahead.

Activity Expands at a Moderate Pace

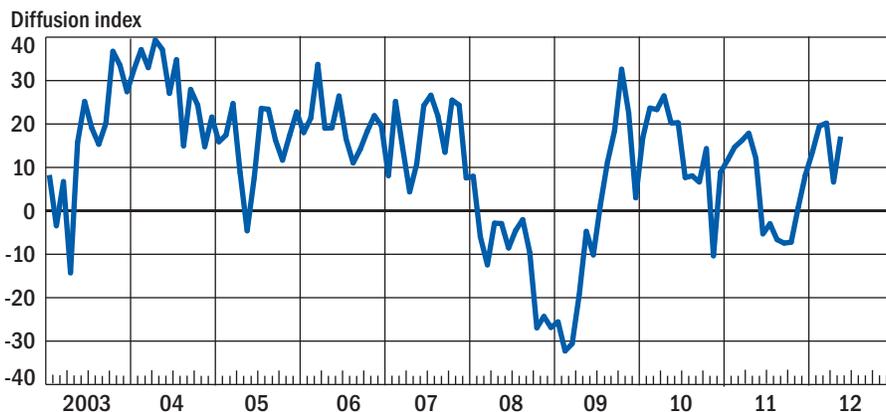
The May index for general business conditions rose a solid eleven points to 17.1, suggesting that activity for New York State’s manufacturers expanded at a moderate pace. A little more than 40 percent of respondents reported that conditions had improved over the month, while 23 percent reported that conditions had worsened. The new orders index inched up two points to 8.3, signaling a modest rise in orders. The shipments index shot up eighteen points to 24.1, its highest level in a year. The unfilled orders index remained negative, at -4.8. The delivery time index fell to zero, and the inventories index inched up four points to 4.8.

Price Increases Slow

The indexes for both prices paid and prices received retreated in May. The prices paid index fell eight points to 37.4. Though still elevated and therefore indicative of significant price increases, this index has fallen for the past two months, suggesting that the pace

General Business Conditions

Seasonally adjusted



Continued

Continued from page 1

of growth in input prices has been slowing. The prices received index fell seven points to 12.1, signaling a moderate though somewhat slower pace of growth in selling prices. Employment indexes showed reasonable growth in employment levels and hours worked. The index for number of employees was little changed at 20.5, and the average workweek index rose six points to 12.1.

Six-Month Outlook Less Optimistic

Future indexes were positive, but were generally lower, suggesting that the level of optimism about the six-month outlook was not quite as high as it had been in recent months. The future general business conditions index fell fourteen points to 29.3. The future new orders index fell sixteen points to 30.1, and the future shipments index declined nineteen points to 25.3. The future

prices paid index climbed seven points to 57.8, suggesting that input prices are expected to accelerate in the coming months, while the future prices received index held steady at 22.9. Future employment indexes were positive but lower in May. The capital expenditures index fell twelve points to 19.3, and the technology spending index fell six points to 12.1. ■

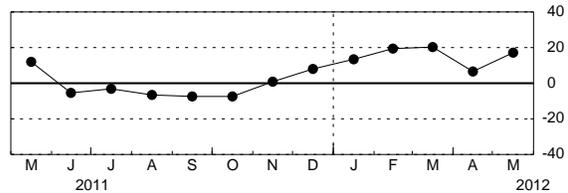
Current Indicators

Change from Preceding Month

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	27.90	50.76	21.34	6.56
May	40.51	36.07	23.42	17.09

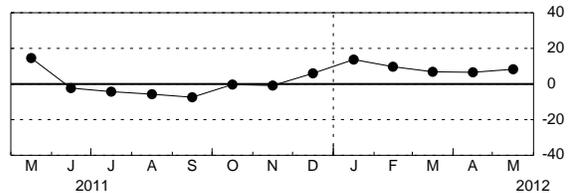
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	29.19	48.10	22.71	6.48
May	39.89	28.54	31.57	8.32

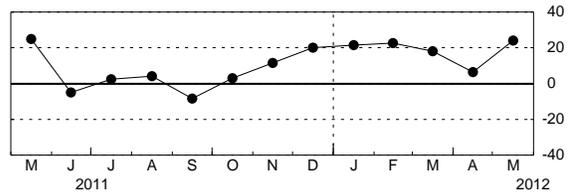
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	29.60	47.21	23.19	6.41
May	46.69	30.76	22.55	24.14

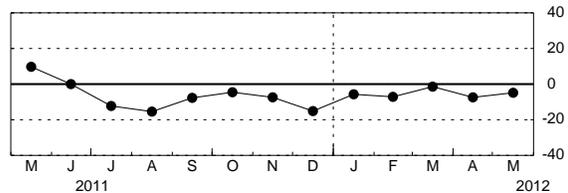
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	10.84	71.08	18.07	-7.23
May	14.46	66.27	19.28	-4.82

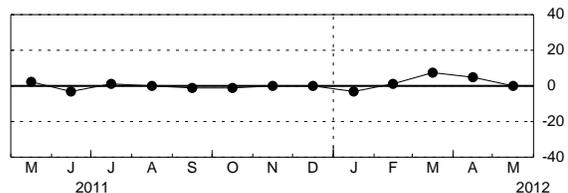
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	9.64	85.54	4.82	4.82
May	8.43	83.13	8.43	0.00

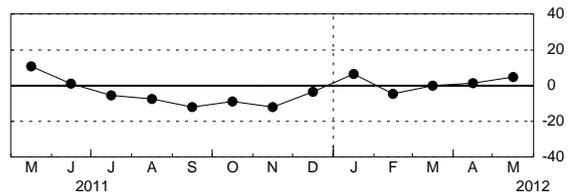
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	25.30	50.60	24.10	1.20
May	26.51	51.81	21.69	4.82

Inventories - Diffusion Index



Current Indicators, *continued*

Change from Preceding Month

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	48.19	49.40	2.41	45.78
May	38.55	60.24	1.20	37.35

Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	21.69	75.90	2.41	19.28
May	19.28	73.49	7.23	12.05

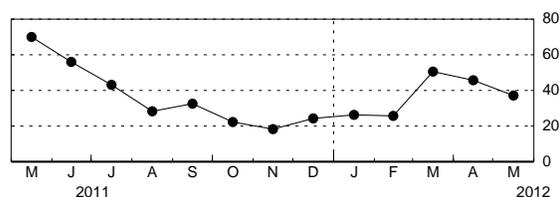
Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	27.71	63.86	8.43	19.28
May	22.89	74.70	2.41	20.48

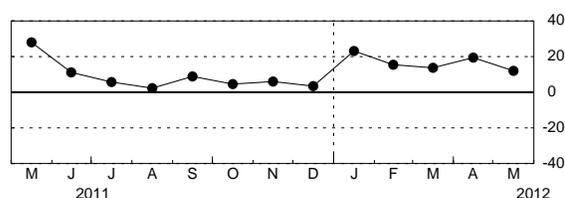
Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	16.87	72.29	10.84	6.02
May	24.10	63.86	12.05	12.05

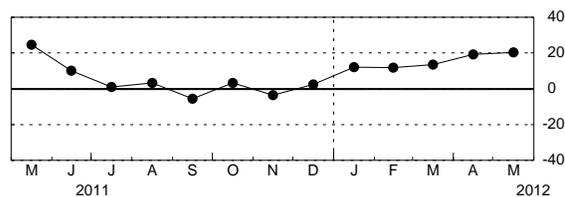
Prices Paid - Diffusion Index



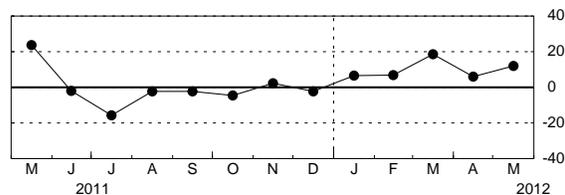
Prices Received - Diffusion Index



Number of Employees - Diffusion Index



Average Employee Workweek - Diffusion Index



Note: All data are seasonally adjusted.

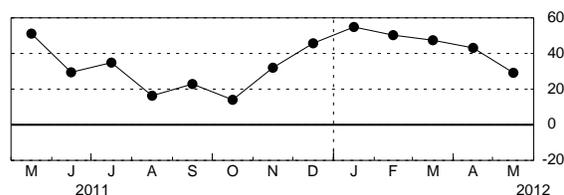
Forward-Looking Indicators

Expectations Six Months Ahead

General Business Conditions

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	49.23	44.66	6.11	43.12
May	47.58	34.09	18.32	29.26

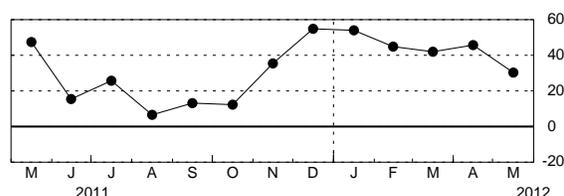
General Business Conditions - Diffusion Index



New Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	56.63	32.53	10.84	45.78
May	46.99	36.14	16.87	30.12

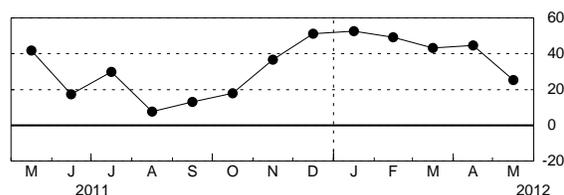
New Orders - Diffusion Index



Shipments

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	55.42	33.73	10.84	44.58
May	43.37	38.55	18.07	25.30

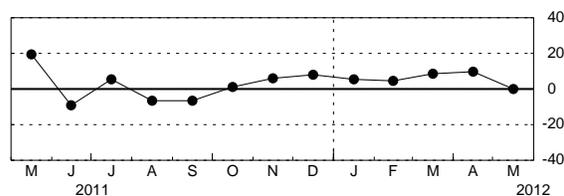
Shipments - Diffusion Index



Unfilled Orders

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	16.87	75.90	7.23	9.64
May	14.46	71.08	14.46	0.00

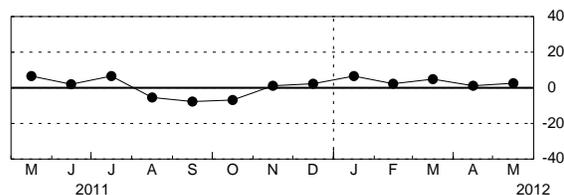
Unfilled Orders - Diffusion Index



Delivery Time

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	10.84	79.52	9.64	1.20
May	9.64	83.13	7.23	2.41

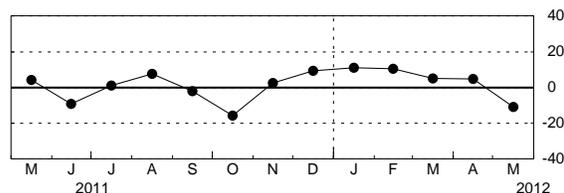
Delivery Time - Diffusion Index



Inventories

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	22.89	59.04	18.07	4.82
May	18.07	53.01	28.92	-10.84

Inventories - Diffusion Index



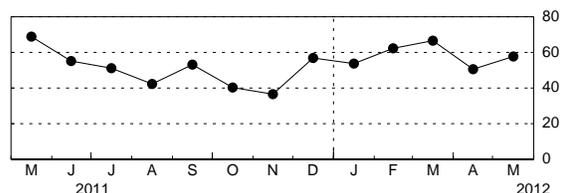
Forward-Looking Indicators, *continued*

Expectations Six Months Ahead

Prices Paid

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	51.81	46.99	1.20	50.60
May	57.83	42.17	0.00	57.83

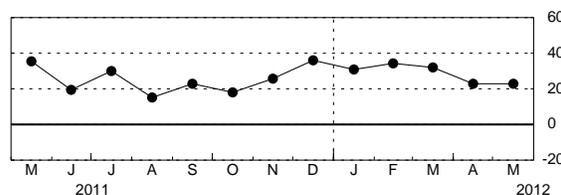
Prices Paid - Diffusion Index



Prices Received

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	26.51	69.88	3.61	22.89
May	31.33	60.24	8.43	22.89

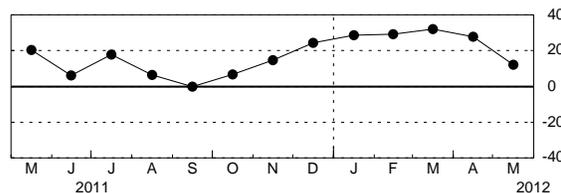
Prices Received - Diffusion Index



Number of Employees

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	33.73	60.24	6.02	27.71
May	25.30	61.45	13.25	12.05

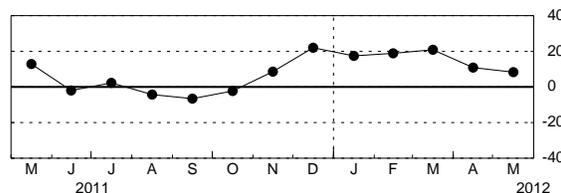
Number of Employees - Diffusion Index



Average Employee Workweek

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	16.87	77.11	6.02	10.84
May	19.28	69.88	10.84	8.43

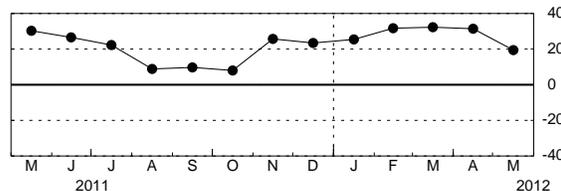
Average Employee Workweek - Diffusion Index



Capital Expenditures

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	36.14	59.04	4.82	31.33
May	33.73	51.81	14.46	19.28

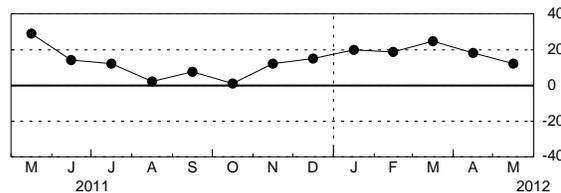
Capital Expenditures - Diffusion Index



Technology Spending

	<u>Higher</u>	<u>Same</u>	<u>Lower</u>	<u>Index</u>
Apr	21.69	74.70	3.61	18.07
May	22.89	66.27	10.84	12.05

Technology Spending - Diffusion Index



Note: All data are seasonally adjusted.

Supplemental Report:

Firms Expect Moderate Increases in Input and Selling Prices

The supplementary questions in the May 2012 *Empire State Manufacturing Survey* focused on past and expected changes in both the prices firms pay for inputs and the prices they charge their customers. Some of the same questions had previously been asked in surveys conducted in May 2011 and earlier.

Respondents estimated that the prices they paid for inputs rose 3.6 percent, on average, over the past twelve months—down substantially from 8.1 percent in last May’s survey. The *median* increase reported in the current survey was 3.0 percent, down from 5.0 percent. The average and median increases anticipated for the next twelve months were virtually identical: 3.5 percent and 3.0 percent, respectively. Both measures were 2 percentage points lower than the corresponding expectations in last May’s survey.

In response to a question about the perceived probabilities of various price scenarios, firms in the current survey estimated a 9 percent chance, on average, that prices paid would rise by 8 percent or more, and a 64 percent chance that prices paid would rise by at least 2 percent. These probabilities are considerably lower than those cited in last May’s survey but not all that different from those reported in the May 2010 survey. Respondents in the current survey, on average, indicated a 5 percent chance that prices would decline by more than 2 percent—a slightly higher probability than in last year’s survey. The likelihood that prices would remain relatively steady (within 2 percent of current levels) was seen to be about 30 percent.

In assessing past changes in their selling prices, firms reported an average price increase of 1.7 percent and a median increase

of 2.0 percent—both about the same as in last May’s survey. Looking ahead to the next twelve months, firms predicted a 2.1 percent average increase and a 3.0 percent median increase—down from 3.6 percent and 4.0 percent, respectively, in last year’s survey. Respondents, on average, saw a less than 5 percent chance that they would raise their selling prices by 8 percent or more but a 48 percent chance that they would raise prices by at least 2 percent. Both probabilities are lower than estimated in last May’s survey. At the other end of the spectrum, the average respondent reported a roughly one in ten chance that selling prices would fall 2 percent or more—a somewhat higher probability than that cited in last May’s survey. ■

Supplemental Report, *continued*

QUESTION 1

By what percentage have the prices you pay, on average, changed over the past twelve months?

	Percentage Change			
	May 2012	May 2011	May 2010	May 2009
Average change	3.6	8.1	5.9	0.1
Median change	3.0	5.0	3.0	2.0

QUESTION 4

By what percentage have your selling prices, on average, changed over the past twelve months?

	Percentage Change			
	May 2012	May 2011	May 2010	May 2009
Average change	1.7	1.9	2.9	1.2
Median change	2.0	2.0	2.0	2.0

QUESTION 2

By what percentage do you expect the prices you pay, on average, to change over the next twelve months?

	Percentage Change			
	May 2012	May 2011	May 2010	May 2009
Average change	3.5	5.6	4.6	2.2
Median change	3.0	5.0	4.0	2.0

QUESTION 5

By what percentage do you expect your selling prices, on average, to change over the next twelve months?

	Percentage Change			
	May 2012	May 2011	May 2010	May 2009
Average change	2.1	3.6	2.9	2.6
Median change	3.0	4.0	3.0	2.0

QUESTION 3

What would you say is the percentage chance that, over the next twelve months, your prices paid will . . .

	Average Percentage Chance of Specified Price Change*			
	May 2012	May 2011	May 2010	May 2009
Increase 8 percent or more	8.8	23.6	17.7	5.2
Increase 2 to 8 percent	55.0	56.4	45.0	32.9
Stay within 2 percent of current levels	30.7	16.4	29.7	45.0
Decrease 2 to 8 percent	4.7	2.3	4.8	14.4
Decrease 8 percent or more	0.7	1.4	2.8	2.5

QUESTION 6

What would you say is the percentage chance that, over the next twelve months, your selling prices will . . .

	Average Percentage Chance of Specified Price Change*			
	May 2012	May 2011	May 2010	May 2009
Increase 8 percent or more	4.2	11.0	9.2	5.9
Increase 2 to 8 percent	43.8	50.3	41.9	27.1
Stay within 2 percent of current levels	42.6	32.3	37.9	45.6
Decrease 2 to 8 percent	7.5	4.4	9.5	18.4
Decrease 8 percent or more	1.8	2.0	1.5	2.9

* Survey respondents were asked to assign a specific percentage chance to each possible outcome; the values reported for questions 3 and 6 reflect the average indicated percentage chance across all respondents.